

Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

Midwest Dental Plan, LTD
Mondovi, WI, 54755

dated November 5, 1997, and served upon the company on April 28, 1998, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 19th day of June, 1998.

Randy Blumer
Commissioner of Insurance

MIDWEST DENTAL PLAN, LTD.

November 5, 1997

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December 11, 1997

Honorable Randy Blumer
Commissioner of Insurance
121 East Wilson Street
Madison, WI 53702

A market conduct examination was made on November 5, 1997, of Midwest Dental Plan, LTD (MDP), 608 Hehli Way, Mondovi, Wisconsin 54755

I. INTRODUCTION

MDP operates as a for-profit group model limited service health organization (LSHO).

Under the group model, the LSHO contracts with a sponsoring clinic(s) to provide primary and specialist dental services.

MDP was incorporated under ch. 611, Wis. Stat., on December 21, 1987, and commenced business February 18, 1988. Two dental management companies, and one individual, Advance Dental Management Inc. (ADM), Dental Specialty Management Inc. (DSM), and Yvonne Anderson own all the shares of MDP's common stock. MDP is controlled by a board of directors of the two dental management companies and the individual owner through representation of the board of directors.

MDP has contractual arrangements with Midwest Dental Care of Mondovi and Midwest Dental Care of Sheboygan to provide dental services to its 12,891 enrollees.

MDP offers a variety of dental care coverage plans which provide a wide range of dental services. Under the plan, enrollees are required to designate a primary care provider. The plan also contracts with specialists who provide services to enrollees upon referral by the primary provider.

The total direct premium written in 1995 was \$1,941,454 and \$1,830,604 in 1996.

OCI did not receive any complaints against MDP in 1996 or as of the examination date in 1997. MDP recorded two grievances in its 1996 grievance experience report to OCI.

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II. PURPOSE & SCOPE

The examination consisted of a review of the company's business practices related to its dental health insurance plans in the following areas for the period January 1, 1996 to September 1, 1997:

- New Business & Underwriting
- Sales & Advertising
- Agents
- Provider Contracts & Administrative Agreements
- Grievances & Complaints
- Policy Forms

The examination also sought to verify compliance with market conduct related recommendations made by financial examinations during the 1991 examination of the company, which were contained in the report adopted on March 17, 1993.

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III. NEW BUSINESS & UNDERWRITING, SALES & ADVERTISING, AND AGENTS

MDP has not actively marketed its dental plans since 1991 and has no plans to increase enrollment beyond the current 10 insured groups. The company uses an actuarially

determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups and, based on the review, a recommendation is made to adjust the rate or cancel the group.

MDP has never developed or utilized media or other forms of advertising to market its dental plans and, therefore, does not maintain an advertising file.

MDP does not have any agents, or procedures for the listing and termination of agents. The dental plan was originally marketed to groups by a single agent.

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IV. ADMINISTRATIVE AGREEMENTS & PROVIDER CONTRACTS

MDP had a management agreement with Advance Dental Management, Inc., (ADM) since February 5, 1988, for the administration of the dental plan. Under the contract, ADM agreed to provide specific administrative and management services to include subscriber and provider services, program planning and development, financial systems and services, utilization review, collection and billing services, and benefit administration services. This agreement was terminated by mutual consent on August 29, 1996, following the acquisition of ADM's assets by Midwest Dental Management, Inc., (MDM) a Wisconsin business corporation. On August 29, 1996, MDP entered into an administrative services and management agreement with MDM. This agreement differs from the ADM agreement in that MDM only agrees to provide administrative and managerial services to existing dental group contracts and the agreement term is 18 months. As part of the agreement, MDM agrees to perform quality of care oversight and peer review functions as regards dental providers.

MDP has contractual arrangements with Midwest Dental Care of Mondovi and Midwest Dental Care of Sheboygan to provide dental services to enrollees at 21 dental office locations throughout Wisconsin. Enrollees have access to 39 contracted dentists. The provider contracts were also amended on August 29, 1996, to extend the original contract for an additional 18 months with no termination clause by either party during the 18-month period. The provider agreements were reviewed and the following exception was noted:

1. The agreements do not specifically require the provider to promptly forward all complaints and grievances to MDP for recording and resolution pursuant to the requirements of s. Ins 3.52 (10) (g) 2, Wis. Adm. Code. The agreements require providers to promptly investigate grievances and "use its best efforts to resolve them in a fair and equitable manner." The agreements further require the provider to "notify Company promptly of any action taken or proposed with respect to the resolution of such grievances."

Based on the examiner's review of MDP's provider agreements, it is recommended that the company:

1. Revise dental provider agreements to require providers to promptly forward all complaints and grievances to MDP for recording and resolution pursuant to the requirements of s. Ins 3.52 (10) (g) 2, Wis. Adm. Code.

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V. GRIEVANCES & COMPLAINTS

During the 1991 financial examination of the company, it was determined that MDP did not have a grievance procedure in place pursuant to the requirements of s. 609.15, Wis. Stat., and s. Ins 3.52 (10), Wis. Adm. Code, and the following recommendations were made:

1. The dental plan establish and use an internal grievance procedure for the resolution of enrollee urgent and nonurgent grievances [s. 609.15, Wis. Stat., and s. Ins 3.52 (10), Wis. Adm. Code.]
2. The dental plan acknowledge the grievance within 10 days of receipt [s. Ins 3.52 (10) (f), Wis. Adm. Code.]
3. The dental plan inform the enrollee in writing of the time and place of the grievance committee meeting at least seven calendar days before the meeting [s. Ins 3.52 (10) (d), Wis. Adm. Code.]
4. The dental plan notify each grievant of the disposition of his or her grievance and of any corrective action taken on the grievance [s. 609.15 (2) (d), Wis. Stat.]
5. The dental plan date stamp grievances upon receipt [s. Ins 3.52 (10) (c) and (f), Wis. Adm. Code.]
6. The dental plan notify an enrollee who files a complaint of their right to file a grievance and the procedure to follow [s. Ins 3.52 (10) (b), Wis. Adm. Code.]
7. The dental plan establish a grievance panel consisting of at least one individual authorized to take corrective action on the grievance and at least one enrolled participant other than the grievant [s. 609.15 (2) (b), Wis. Adm. Code.]
8. The dental plan maintain the minutes of grievance committee meetings for at least three years [s. 609.15 (2) (e), Wis. Adm. Code.]

MDP has implemented an internal grievance procedure which is in compliance with all of the prior recommendations, and has developed a grievance appeal form and appropriate form letters to communicate with enrollees at each step of the grievance process. Although a three-member grievance committee was established, the committee did not meet during this examination review period.

Complaints from enrollees are handled by MDM's patient relations coordinator, who is given limited authority to resolve enrollee problems and complaints. The enrollee is also given information on the grievance procedure and a grievance appeal form is sent to the enrollee if the patient relations coordinator is unable to resolve the matter. These complaints are maintained on a computer database and include date of call, name of complainant, nature of complaint, and disposition.

The examiner reviewed the seven grievances received during the period of review and noted the following exception:

1. One 1997 grievance was filed by a union representative on behalf of a plan enrollee involving nonpayment of a dental service. Rather than handling the union representative's correspondence as a grievance, MDP sent a letter to the representative explaining that the service was a non-covered service and advised him of the enrollee's right to file a grievance on the matter.

Based on the examiner's review of MDP's grievance procedure and grievance files for the period of review, it is recommended that MDP:

1. Revise its internal grievance procedure to include in the definition of grievance, grievances filed on behalf of an enrollee as required by s. Ins 3.52 (3) (c), Wis. Adm. Code.

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VI. POLICY FORMS

During the 1991 financial examination of the company certain deficiencies were noted in MDP's policy and certificate forms, and the following recommendations were made:

1. The dental plan revise the grievance procedure in the policy and certificate to comply with the revisions to s. Ins 3.52 (10), Wis. Adm. Code.
2. The dental plan revise the definition of dependent in the policy and certificate to include adopted children as required by ss. 609.75 and 632.896, Wis. Stat.
3. The dental plan revise its policy and certificate to include a definition of allowable expense and claim determination period as required by s. Ins 3.40 (4) and (5), Wis. Adm. Code.
4. The dental plan submit a revised policy and certificate to the Office of the Commissioner of Insurance for approval as required by s. 631.20, Wis. Stat.

MDP was unable to provide evidence to the examiner that the policy and certificate revisions were made, and was unable to locate copies of the revised policy and certificate. Although OCI's company correspondence file contains a letter from MDP's attorney dated September 24, 1993, addressing the implementation of the 1991 examination recommendations and stating that the revised policy form and certificate will be submitted to OCI, there is no record of such a filing on OCI's policy form filing system.

Based on the examiner's review of MDP's noncompliance with the previous examination recommendation with regard to the filing of revised policy and certificate forms with OCI, it is recommended that:

1. MDP submit its dental plan policy and certificate with the revisions necessary to comply with the 1993 financial examination report recommendation to the Office of the Commissioner of Insurance for approval as required by s. 631.20, Wis. Stat., prior to the adoption of this report.
2. MDP develop internal written procedures to ensure future compliance with the requirements of s. 631.20, Wis. Stat., as regards the timely filing of new and revised policy forms.

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VII. SUMMARY OF REPORT

MDP is a small Limited Service Health Organization with a stable enrollment and has no plans to actively market its dental plans or increase plan membership. The most significant finding of this examination is that the company has failed to comply with the recommendation made in the 1993 financial examination report with respect to the filing of revised policy and certificate forms with OCI.

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VIII. SUMMARY OF RECOMMENDATIONS

Provider Agreements

1. Revise dental provider agreements to require providers to promptly forward all complaints and grievances to MDP for recording and resolution pursuant to the requirements of s. Ins 3.52 (10) (g) 2, Wis. Adm. Code.

Grievances

2. Revise its internal grievance procedure to include in the definition of grievance, grievances filed on behalf of an enrollee as required by s. Ins 3.52 (3) (c), Wis. Adm. Code.

Policy Forms

3. Submit its dental plan policy and certificate with the revisions necessary to comply with the 1993 financial examination report recommendation, to the Office of the Commissioner of Insurance for approval as required by s. 631.20, Wis. Stat., prior to the adoption of this report.
4. Develop internal written procedures to ensure future compliance with the requirements of s. 631.20, Wis. Stat., as regards the timely filing of new and revised policy forms.

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IX. ACKNOWLEDGMENT

The cooperation and courtesy extended to OCI personnel is hereby acknowledged.

Respectfully submitted,

Pam Ellefson
Examiner-in-Charge

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Updated: April 9, 1999

